AGENDA
Regular Meeting of the Governing Body of the Alameda Reuse and Redevelopment Authority

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Alameda City Hall
Council Chamber, Room 390
2263 Santa Clara Avenue
Alameda, CA 94501

Wednesday, October 5, 2005
Meeting will begin at 7:00 p.m.

1. **ROLL CALL**

2. **CONSENT CALENDAR**

Consent Calendar items are considered routine and will be enacted, approved or adopted by one motion unless a request for removal for discussion or explanation is received from the Board or a member of the public.

2-A. Report from the Executive Director recommending the Approval of Alameda Power & Telecom Sublease at Alameda Point.

3. **REGULAR AGENDA ITEMS**

3-A. Presentation of the Revised Alameda Point Preliminary Development Concept (PDC) – A Planning Feasibility Study for the Redevelopment and Reuse of the Former Alameda Naval Air Station.

4. **ORAL REPORTS**

4-A. Oral report from Member Matarrese, RAB representative.

5. **ORAL COMMUNICATIONS, NON-AGENDA (PUBLIC COMMENT)**
(Any person may address the governing body in regard to any matter over which the governing body has jurisdiction that is not on the agenda.)

6. **COMMUNICATIONS FROM THE GOVERNING BODY**

7. **ADJOURNMENT**

This meeting will be cablecast live on channel 15. The next regular ARRA meeting is scheduled for Wednesday, November 2, 2005.

Notes:

- Sign language interpreters will be available on request. Please contact the ARRA Secretary, Irma Glidden at 749-5800 at least 72 hours before the meeting to request an interpreter.
- Accessible seating for persons with disabilities (including those using wheelchairs) is available.
- Minutes of the meeting are available in enlarged print.
- Audio tapes of the meeting are available for review at the ARRA offices upon request.

City of Alameda
Alameda Reuse and Redevelopment Authority

2-A

October 5, 2005

TO: Honorable Chair and Members of the
Alameda Reuse and Redevelopment Authority

FROM: Debra Kurita
Executive Director

RE: Report from the Executive Director Recommending the Approval of Alameda Power & Telecom Sublease at Alameda Point

Background

At the December 2004 ARRA Board Meeting, the ARRA elected to review and approve all subleases at Alameda Point. In January 2005, the ARRA approved this brief format to simplify the review and approval of routine leases.

Discussion

Alameda Power & Telecom, requests a 2-year sublease of Building 162 (57,052 sf) for use for storage of telecommunication and electric utility equipment materials.

Fiscal Impact

The rent for Alameda Power & Telecom is $219,084 annually or $0.32 per sq. foot for ARRA lease revenue.

Recommendation

The Executive Director recommends that the Alameda Reuse and Redevelopment Authority approve the proposed sublease.

Respectfully submitted,

Leslie Little
Development Services Director

Stephen Proud
Alameda Point Project Manager

By: N. Banks

Nanette Banks
Finance & Administration Manager

PB/SP/NB:dc
Attachment


ORION
W. SEAPLANE LAGOON
FERRY POINT
ATLANTIC
AP&T
13
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393
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162
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414

Alameda Reuse and Redevelopment Authority
Interoffice Memorandum

3-A

September 27, 2005

To: Honorable Chair and Members of the Alameda Reuse and Redevelopment Authority

From: Debra Kurita, Executive Director

Re: Presentation of Alameda Point Preliminary Development Concept

Background

In December 2003, the Alameda Reuse and Redevelopment Authority (ARRA) initiated an 18-month pre-development effort to (i) prepare a Preliminary Development Concept (PDC) for Alameda Point and (ii) negotiate a conveyance agreement for Alameda Point with the U.S. Navy. Over the course of the last 18 months, the ARRA staff has worked closely with the Alameda community to develop a PDC for Alameda Point. Six well-attended public workshops were held to receive community input. The workshops were held at a variety of locations throughout the city, and several workshops were televised on the local cable channel. The Alameda Point Advisory Committee (APAC) provided guidance to the staff and the community throughout the public process and assisted with transmitting information to the City's boards and commissions. The Alameda Planning Board and the Alameda Transportation Commission each co-hosted one workshop with the APAC. The draft PDC was presented to the community and the ARRA Board on July 14, 2005.

Based upon comments received at the meeting, staff made a series of revisions to the PDC. A summary of those changes is provided below. The October 2005 draft of the PDC notes the changes in a strikeout and underline format. Once the PDC is accepted by the ARRA, staff will produce a final version of the report.

On September 26th, the revised PDC and appendices were transmitted to the ARRA. The September 26th transmittal did not include Appendix E: Financial Feasibility and Fiscal Neutrality. That document is provided as an attachment to this report.

Discussion

In response to comments at the July 14th meeting, the following points were clarified or expanded upon in the October 2005 Draft PDC.

Purpose of the PDC: The PDC Executive Summary was revised to clarify that the PDC is a planning feasibility study and that acceptance of the PDC by the ARRA has no legally binding effect on future actions by the ARRA or the City of Alameda. The PDC includes a conceptual site plan, development program, and transportation plan that show how the 1996 Community Reuse Plan and 2003 Alameda Point General Plan policies may be implemented within the significant environmental, institutional, financial and contractual constraints that exist at Alameda Point.

The PDC is not intended to serve as the final plan for Alameda Point. Over time, as conditions change, it is likely that the type, intensity, and arrangement of land uses shown in the PDC's illustrative plans may change. As portions of the former naval facility become available for redevelopment, changing economic conditions, new community priorities, new regulations and standards, and/or different financing or development strategies may require consideration of different land use plans. Consideration of alternate development plans is not precluded or discouraged by ARRA acceptance of the PDC. The PDC is intended to facilitate exploration and consideration of financially feasible development alternatives that implement public policy objectives within the constraints at Alameda Point.

The PDC is an informational document to be used by the Alameda community as a tool to promote discussion and evaluation of the type and intensity of development that is appropriate or necessary at Alameda Point. To facilitate public evaluation and discussion, the PDC focuses on some of the important compromises and trade-offs that will be necessary to accommodate a financially feasible redevelopment program. The PDC is to be used by the development community to evaluate development and investment opportunities at Alameda Point. By highlighting some of the difficult compromises that may be necessary given the financial and environmental constraints, the PDC identifies issues that will require additional work with the community as part of the entitlement process for Alameda Point.

Sports Center: Chapter 1 was revised to clarify that the Sports Center layout shown in the PDC is a conceptual layout that may change as project funding becomes available and final design plans are prepared.

Truck Routes: Chapter 3 was revised to include a brief description and map of the proposed truck routes at Alameda Point. The map helps to highlight that the non-residential areas will need to be served by trucks and that certain residential areas will be adjacent to designated truck routes. Although the truck routes are conceptual at this point, it will be important to designate a final set of routes prior to construction and occupancy of the potentially affected residential areas.

Land Use Plan: The land use plan in Chapter 4 was revised to eliminate the small strip of residential land use between Hangar 39 and Hangar 40.

Non-Residential Development. At the July ARRA meeting, a concern was raised that the PDC should be a balanced plan with a well-articulated vision for both the non-residential and residential areas. Although the PDC land use program includes approximately 3.5 million square feet of non-residential development in addition to the residential development, the PDC text and the land use and illustrative diagrams provided much less detail about the type, layout, use characteristics, and design of the non-residential development than the residential development. For example the July draft's Illustrative Plan (Figure 18) shows an illustrative lotting plan for the residential land but not the non-residential land. Likewise, the residential development principles are more detailed and specific than the non-residential development principles. The generality of the non-residential development principles provided on pages 43 through 47 of the July draft reflect some of the uncertainties about the market and the types of uses that can be attracted to Alameda Point over the next 15 to 20 years. In contrast, the residential market and the residential development requirements in Alameda are much easier to forecast and depict. The generality of the non-residential principles is also reflects the fact that the public discussion that guided the PDC focused much more on neighborhood design, housing types, and the effects of Measure A than on retail, office, or business park design. However, to emphasize that the PDC is proposing a mixed use development and that several of the residential areas are located immediately adjacent to sites that are planned for non-residential uses, the Illustrative Plan (Figure 18) was revised to include non-residential building footprints on all of the non-residential parcels. This change helps to highlight the location and scale of the non-residential development proposed, and it illustrates the critical interface between residential and non-residential development. This interface will require careful planning and design by the City and the development community to ensure that these different land uses coexist without conflict to create the successful mixed use community envisioned in the General Plan.

Phasing Plan: Chapter 3 was revised to clarify that the anticipated phasing program is preliminary and could change due to the Navy's conveyance schedule, the remediation schedule, and changes to market conditions.

Civic and Community Uses: Chapter 4 was revised to clarify that community facilities such as child care centers, places of worship and senior centers will be allowed and encouraged throughout Alameda Point. The revisions highlight General Plan policies supporting these uses and a number of specific buildings that are being preserved that may be used for these purposes, including the chapel, theatre, O'Club, and the BEQ Mess Hall.

Measure A Alternative: Chapter 7 Next Steps was revised to describe in more detail how a "non-Measure A" alternative will be analyzed during the environmental review process for a final Master Plan and Phase I entitlements.

Historic Preservation Studies: Chapter 7 was revised to describe the scope of the adaptive reuse study that will be conducted during the environmental review process.

School Facilities: Based on meetings with AUSD representatives, Chapter 7 was revised to include a description of the school facilities needs analysis that will be completed by AUSD.

Zoning and Infrastructure: Chapter 7 was revised to include a brief discussion of the next steps that will be necessary to prepare a comprehensive rezoning of Alameda Point and finalize the infrastructure plan.

Transportation: Chapter 7 was revised to include a paragraph about the steps necessary to implement the transportation strategy.

Appendix A: Transportation Strategy: The transportation strategy was revised and expanded to include additional information about the transit alternatives evaluation and the traffic studies that form the basis for the recommended transportation and roadway network.

Appendix D. General Plan Consistency: This appendix was deleted because the PDC is a conceptual plan and a future development plan may differ from the conceptual PDC. Therefore, the scope of the General Plan amendments that will be necessary may also change. For information purposes, this staff report includes a consistency analysis of the PDC with the General Plan.

Appendix E. Financial Feasibility and Fiscal Neutrality: This new appendix provides additional information about the financial considerations that form the basis for the PDC.

Policy Consistency

The PDC is designed to be generally consistent with the General Plan. However, given the environmental and financial constraints on the redevelopment of Alameda Point, the PDC land use plan does not comply with a limited number of General Plan policies. To achieve complete consistency, the final development plan will need to differ form the PDC as described below, or the following General Plan policies will need to be amended during the entitlement process.

Development Program: The General Plan Table 2-7 (Alameda Point Development Program) differs from the PDC's three-phase development program. To accommodate the Phase III non-residential development envisioned in the PDC, the General Plan's non-residential development program would need to be increased from approximately 2.3 million square feet to 3.4 million square feet.

Marina Housing: Policy 9.3.m in the General Plan states: "Limit housing development in the Marina District to the eastern and northeastern portions of the marina to avoid proximity to the Wildlife Refuge." The PDC shows housing in these areas. These residential areas are in Phase II and are consistent with the Wildlife Buffer and Biological Opinion. However, if the City were to entitle residential development in this area, a General Plan Amendment would be necessary.

Big Whites: Policy 9.3.X states: "Preserve the Big Whites for their historical significance, and encourage surrounding development that is complementary." Removal of the Big Whites as envisioned in the PDC will require that this policy be amended.

Environmental Determination

Acceptance of the PDC by the ARRA is an action that is statutorily exempt from CEQA pursuant to Section 15262 of the California Environmental Quality Act Guidelines. Section 15262 states that an action to approve or accept feasibility or planning studies for possible future actions which the ARRA has not approved, adopted, or funded does not require the preparation of an EIR or Negative Declaration.

Fiscal Impact

Acceptance of the Alameda Point PDC as revised has no fiscal impact.

Recommendation

It is recommended that the ARRA Board accept the PDC as revised.

Respectfully submitted,

Leslie A. Little
Development Services Director

Stephen Proud
Alameda Point Project Manager

By: Andrew Thomas
Supervising Planner

Attachment: Appendix E: Financial Feasibility and Fiscal Neutrality

APPENDIX E: FINANCIAL FEASIBILITY AND FISCAL NEUTRALITY

The development program set forth in the Preliminary Development Concept (PDC) is required to meet two key financial thresholds:

1) The PDC must be a financially feasible plan that can be successfully implemented by the development community; and

2) The PDC should minimize the fiscal impact to the City for the provision of key municipal services to the site.

The PDC is expected to be developed in three phases, and since the timing of property delivery and market conditions for the latter phases is extremely speculative, the following financial feasibility and fiscal impact analysis is largely focused on the first phase of development. The PDC phasing is shown in Figure 1.

FINANCIAL FEASIBILITY

To determine the financial feasibility of the PDC, revenue sources from the project were compared to the costs of development. The primary sources of revenue include:

- Sale of land for new development;
- Leasing of existing buildings;
- Sale of existing buildings; and
- Project-based public financing.

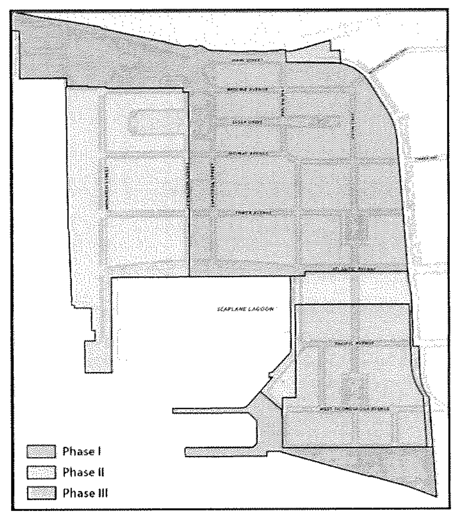

Figure 1 – Phasing Plan

As shown on Table 1, the primary revenue source for the first phase of development is the sale of new land, which is expected to generate approximately $250 million. The revenue for the first phase is projected to total approximately $355 million.

Table 1 - Sources of Revenue (Phase I)	Total
Sale of Land	$250,000,000
Building Leasing	$30,000,000
Building Sales	$30,000,000
Project-Based Financing	$45,000,000
Total	**$355,000,000**

The costs associated with the development of the PDC are significant. They include:

- ❖ Complete replacement of all major infrastructure systems, including but not limited to sewer systems, storm drain systems, water distribution systems, electrical systems, and most roadways;
- ❖ Demolition of obsolete and hazardous structures and systems;
- ❖ Renovation and rehabilitation of existing buildings, including historic resources programmed for adaptive reuse;
- ❖ Traffic mitigation measures and integrated, multi-modal transit improvements;
- ❖ New or improved public facilities, such as the transit center and ferry terminal, sports complex, the O'Club, City Hall West and a branch library;
- ❖ Fiscal mitigation of public service costs to Alameda Point (as discussed below);
- ❖ The provision of over 600 affordable housing units; and
- ❖ The provision of approximately 150 acres of public open space.

As shown on Table 2, the development costs and debt service for Alameda Point is expected to total approximately $360 million, of which $260 million is the projected costs for infrastructure and site preparation work.

Table 2 – Development Costs (Phase I)	**Total**
Infrastructure/Site Preparation	$260,000,000
Fiscal Impact Mitigation	$30,000,000
Building Renovations	$10,000,000
Predevelopment/Entitlements	$25,000,000
Debt Service	$35,000,000
Total	**$360,000,000**

A comparison of revenues and costs shows that the new development planned for Phase I at Alameda Point will not generate sufficient revenues to cover all the project costs for Phase 1. The projected nominal deficit is estimated to be negative $5 million, but when the return to the private sector is factored into the analysis (20%), the project is expected to generate a negative cash flow of approximately $45 million.

To improve the project economics, and like most major reuse and urban infill projects of similar scale, Phase I is expected to require a creative public/private financing strategy including the following:

- **Mello-Roos Bonds** – This financing mechanism requires developers and/or tenants and residents of new development to pay an additional assessment on top of their annual property tax bill. The proceeds from this additional assessment are used to retire debt service from bonds that can be issued up-front to cover the costs of public infrastructure and reduce the financial equity required from a developer. Mello-Roos bonds may marginally affect the value of new development but are generally considered to be financially beneficial for development projects, and are typical in large-scale development projects in California. Mello-Roos bonds do not represent an investment of City dollars into the project, and place the City at minimal risk.

- **Tax Increment Financing Bonds** – In a redevelopment area such as Alameda Point, the net new property tax revenues generated by new development and/or appreciation of existing property can be dedicated to capital improvements of public infrastructure. Under Redevelopment Law, a portion (20 percent) of the tax increment must be dedicated to affordable housing. Bonds can be issued up-front in a development process to generate money for public infrastructure and affordable housing, and the debt service on such bonds is retired through the property tax increment from future development. Tax increment financing is typical of urban redevelopment projects in California, and does represent an investment of public dollars into the Alameda Point redevelopment. The City's General Fund is affected by the diversion of tax revenues toward capital improvements rather than ongoing operations and maintenance expenses, but the fiscal impacts of this financing strategy can be mitigated (as discussed below).

With these financing approaches, the economics of the project can be significantly improved, and the redevelopment of Alameda Point can include the numerous benefits (affordable housing, recreation facilities, etc.) envisioned and desired by the community.

As Phases II & III of the project are made available for development, a similar financial feasibility analysis will need to be prepared. Based on the condition of the property, market conditions and land plan ultimately approved by the ARRA Board, there may be a need to utilize public financing mechanisms to generate an adequate return on the project to attract private sector developers. Since the environmental condition of these phases generally precludes residential development, which is the major source of revenue for Phase I, the development of these latter Phases will be much more dependent on the demand for commercial space in the Bay Area.

FISCAL IMPACTS ON THE CITY'S GENERAL FUND

A key policy direction provided very early in the planning process by the ARRA and the City Council requires that the City of Alameda's General Fund not be adversely affected by the redevelopment of Alameda Point. Simply stated, the revenues generated by the development from property taxes, sales taxes, and other sources must exceed the costs of providing City services such as fire, police, park maintenance, etc. If this condition is not met, the development at Alameda Point is required to fund a "municipal service mitigation" fee to offset the negative impact on the City's General Fund.

The revenues generated by Phase I are expected to include revenues from property taxes, property transfer taxes, sales taxes, utility users tax, and a range of other fees and levies.

As shown in Table 3, the public revenue from Alameda Point for the first phase of development is expected to total approximately $26.4 million.

Table 3 – Sources of Public Revnue	**Total**
Property Taxes	$5,400,000
Property Transfer Taxes	$9,000,000
Sales Taxes	$4,200,000
Utility Users Tax	$3,000,000
Other Fees and Levies	$4,800,000
Total	**$26,400,000**

The revenue outlined above is greatly affected by the use of tax increment financing to fund the infrastructure program for Alameda Point, since this action directs property taxes away from the City's General Fund.

The redevelopment of Alameda Point will result in the full range of municipal services being provided to the new residents and businesses. Principal municipal services include public safety (police and fire protection), public works activities, and recreation programming and maintenance. As shown on Table 4, these municipal service costs are expected to total approximately $32.4 million for the first phase of development.

Table 4 – Municipal Service Expenditures	**Total**
Police	$11,400,000
Fire	$9,200,000
Public Works	$9,600,000
Recreation	$1,300,000
Other City Services	$900,000
Total	**$32,400,000**

It is important to note that municipal service costs will be subject to a variety of factors ranging from annual City budgeting decisions (e.g., raises for police personnel) to the timing of desired features of the Alameda Point plan, such as the sports complex and library facilities. In addition, given the complexity of the project and the potential for change over time, it is difficult to estimate with certainty the fiscal surplus or deficit in a given year in the future.

Nevertheless, the City has reviewed the fiscal impact assumptions and projections and has determined that the Alameda Point redevelopment project is in fact likely to generate a fiscal deficit for the General Fund in most years of the development, and for some extended period into the future. As a result, the development must pay a "municipal service mitigation" fee to cover the General Fund deficit through 2042, a period of 35 years from the expected commencement of development.

At the time Phases II and III are available for development and a plan for development is approved, a fiscal impact analysis will be prepared for these Phases and a determination will be made regarding the need for a fiscal mitigation payment to the City, and if necessary, the appropriate amount of such a payment.

SUMMARY

The summary analysis outlined above indicates that for the redevelopment of Alameda Point to be successful, some level of public financing will need to be committed to the project. For large scale redevelopment projects, tax increment financing and project based financing, such as Mello-Roos bonds, are common financing tools used to attract private capital to the redevelopment effort. By using these tools at Alameda Point, the profitability of the project can be improved and thus the potential for a successful redevelopment project is greatly enhanced.

With regard to the fiscal impact of the project on the City's General Fund, the preliminary analysis indicates that the cost to provide municipal services to the site will be greater that the public revenues generated by the development. To offset this deficit, the project will be required to provide a fiscal mitigation payment to the City to minimize, if not completely eliminate, the projected shortfall.

As the PDC is further refined and negotiations with the development community move forward, the assumptions used to calculate the financial feasibility and fiscal impact of the project will continue to evolve. Ultimately, as part of the project approval process, an updated feasibility analysis and fiscal impact analysis will be prepared and presented to the ARRA Board for its consideration.